

CLARKE COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10
Governmental Fund Financial Statements:	
C Balance Sheet	12-15
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	16
E Statement of Revenues, Expenditures and Changes in Fund Balances	18-21
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	22
Proprietary Fund Financial Statements:	
G Statement of Net Assets	23
H Statement of Revenues, Expenses, and Changes in Net Assets	24
I Statement of Cash Flows	25
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	26
Notes to Financial Statements	27-44
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	46
Budget to GAAP Reconciliation	47
Notes to Required Supplementary Information – Budgetary Reporting	48
Schedule of Funding Progress for the Retiree Health Plan	49
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	52-53
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	54-55
Internal Service Funds:	
3 Combining Schedule of Net Assets	56
4 Combining Schedule of Revenues, Expenses, and Changes in Net Assets	57
5 Combining Schedule of Cash Flows	58
Agency Funds:	
6 Combining Schedule of Fiduciary Assets and Liabilities	60-63
7 Combining Schedule of Changes in Fiduciary Assets and Liabilities	64-67
8 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	68-69
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	70-71
SCHEDULE OF FINDINGS	72-75

CLARKE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2011)		
Myron Manley	Board of Supervisors	Jan. 2011
Jack Cooley	Board of Supervisors	Jan. 2013
Donald Reasoner	Board of Supervisors	Jan. 2013
Judy Church	County Auditor	Jan. 2013
Debbie Lynn	County Treasurer	Jan. 2011
Pennie Gonseth	County Recorder	Jan. 2011
Bill Kerns	County Sheriff	Jan. 2013
Ronald L. Wheeler	County Attorney	Jan. 2011
Paul Winship	County Assessor	Jan. 2016
(After January 2011)		
Myron Manley	Board of Supervisors	Jan. 2015
Jack Cooley	Board of Supervisors	Jan. 2013
Donald Reasoner	Board of Supervisors	Jan. 2013
Judy Church	County Auditor	Jan. 2013
Debbie Lynn	County Treasurer	Jan. 2015
Peggy Cummings	County Recorder	Jan. 2015
Bill Kerns	County Sheriff	Jan. 2013
Michelle Murphy Rivera	County Attorney	Jan. 2015
Paul Winship	County Assessor	Jan. 2016

INDEPENDENT AUDITOR'S REPORT

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Clarke County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report March 23, 2012 on our consideration of Clarke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 23, 2012

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Basic Financial Statements

CLARKE COUNTY
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,795,426
Receivables:	
Property tax:	
Delinquent	35,798
Succeeding year	4,118,000
Interest and penalty on property tax	253,032
Accounts	102,924
Accrued interest	2,313
Due from other governments	262,572
Inventories	167,954
Prepaid expenses	113,150
Capital assets, net of accumulated depreciation (note 4)	<u>14,304,137</u>
Total assets	<u>22,155,306</u>
Liabilities	
Accounts payable	265,955
Salaries and benefits payable	109,683
Due to other governments (note 5)	184,453
Accrued interest payable	39,915
Deferred revenue:	
Succeeding year property tax	4,118,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Bonds	14,000
Capital loan notes	245,000
Child care center revenue notes	7,143
Capital lease purchase agreements	119,010
Compensated absences	169,201
Portion due or payable after one year:	
Bonds	166,000
Capital loan notes	1,050,000
Child care center revenue notes	506,309
Capital lease purchase agreements	463,073
Net OPEB liability	<u>30,410</u>
Total liabilities	<u>7,488,152</u>

CLARKE COUNTY
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 12,076,443
Restricted for:	
Supplemental levy purposes	250,498
Mental health purposes	9,364
Rural services purposes	394,160
Secondary roads purposes	948,183
Debt service	40,297
Capital projects	16,300
Conservation purposes	195,789
Other purposes	80,920
Unrestricted	<u>655,200</u>
Total net assets	<u>\$ 14,667,154</u>

See notes to financial statements.

CLARKE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,579,767	\$ 295,903	\$ 5,440	\$ -	\$ (1,278,424)
Physical health and social services	1,065,717	375,687	290,518	-	(399,512)
Mental health	1,057,201	75	613,048	-	(444,078)
County environment and education	422,500	16,214	27,652	-	(378,634)
Roads and transportation	3,096,521	364,992	1,776,133	101,890	(853,506)
Government services to residents	378,571	150,111	25	-	(228,435)
Administration	896,051	102,323	1,800	-	(791,928)
Interest on long-term debt	86,258	-	31,532	-	(54,726)
Total	\$ 8,582,586	\$ 1,305,305	\$ 2,746,148	\$ 101,890	(4,429,243)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,641,443
Debt service					157,876
Penalty and interest on property tax					60,136
State tax credits					153,321
Gaming tax					239,129
Unrestricted investment earnings					28,335
Miscellaneous					13,642
Total general revenues					4,293,882
Change in net assets					(135,361)
Net assets beginning of year					14,802,515
Net assets end of year					\$ 14,667,154

See notes to financial statements.

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CLARKE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 830,279	\$ 217,207	\$ 443,925	\$ 825,463
Receivables:				
Property tax:				
Delinquent	24,339	4,167	5,841	-
Succeeding year	2,583,000	413,000	841,000	-
Interest and penalty on property tax	253,032	-	-	-
Accounts	64,603	-	756	3,792
Accrued interest	2,133	-	-	-
Due from other governments	126,146	-	-	136,426
Inventories	-	-	-	167,954
Prepaid expenses	85,783	-	-	27,367
Total assets	<u>\$ 3,969,315</u>	<u>\$ 634,374</u>	<u>\$ 1,291,522</u>	<u>\$ 1,161,002</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 375,614	\$ 2,692,488
1,451	35,798
281,000	4,118,000
-	253,032
145	69,296
180	2,313
-	262,572
-	167,954
-	113,150
<u>\$ 658,390</u>	<u>\$ 7,714,603</u>

CLARKE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 62,867	\$ 27,440	\$ 701	\$ 106,103
Salaries and benefits payable	67,987	117	9,492	32,087
Due to other governments (note 5)	-	184,453	-	-
Deferred revenue:				
Succeeding year property tax	2,583,000	413,000	841,000	-
Other	277,371	4,167	5,841	-
Total liabilities	2,991,225	629,177	857,034	138,190
Fund balances:				
Nonspendable:				
Inventories	-	-	-	167,954
Prepaid expenses	85,783	-	-	27,367
Restricted for:				
Supplemental levy purposes	171,492	-	37,917	-
Mental health purposes	-	5,197	-	-
SIRWA water grid project	-	-	62,500	-
Rural services purposes	-	-	334,071	-
Secondary roads purposes	-	-	-	827,491
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	73,679	-	-	-
Inmate room and board	71,996	-	-	-
Veterans memorial	192	-	-	-
Flowerbed maintenance	2,492	-	-	-
Other purposes	-	-	-	-
Assigned for environmental education	26,919	-	-	-
Unassigned	545,537	-	-	-
Total fund balances	978,090	5,197	434,488	1,022,812
Total liabilities and fund balances	\$ 3,969,315	\$ 634,374	\$ 1,291,522	\$ 1,161,002

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 44	\$ 197,155
-	109,683
-	184,453
281,000	4,118,000
1,451	288,830
<u>282,495</u>	<u>4,898,121</u>
-	167,954
-	113,150
-	209,409
-	5,197
-	62,500
-	334,071
-	827,491
68,404	68,404
179,141	179,141
122,110	195,789
-	71,996
-	192
-	2,492
6,240	6,240
-	26,919
-	545,537
<u>375,895</u>	<u>2,816,482</u>
<u>\$ 658,390</u>	<u>\$ 7,714,603</u>

CLARKE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total fund balances of governmental funds	\$ 2,816,482
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$23,236,191 and the accumulated depreciation is \$8,932,054.	14,304,137
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	288,830
The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefits plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	67,766
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(39,915)
Long-term liabilities, including notes and bonds payable, purchase agreements payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,770,146)</u>
Net assets of governmental activities	<u>\$ 14,667,154</u>
See notes to financial statements.	

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CLARKE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,634,791	\$ 410,576	\$ 839,476	\$ -
Interest and penalty on property tax	50,237	-	-	-
Intergovernmental	874,501	629,187	37,348	1,878,023
Licenses and permits	4,275	-	2,970	880
Charges for service	271,269	-	300	130
Use of money and property	36,470	-	-	-
Miscellaneous	176,225	75	2,413	363,982
Total revenues	4,047,768	1,039,838	882,507	2,243,015
Expenditures:				
Operating:				
Public safety and legal services	1,245,005	-	251,399	-
Physical health and social services	987,117	-	-	-
Mental health	-	1,057,201	-	-
County environment and education	137,583	-	88,523	-
Roads and transportation	-	-	-	2,544,789
Government services to residents	364,413	-	-	-
Administration	850,472	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	180,000	-
Total expenditures	3,584,590	1,057,201	519,922	2,544,789
Excess (deficiency) of revenues over (under) expenditures	463,178	(17,363)	362,585	(301,774)
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	450,000
Interfund transfers out (note 3)	-	-	(450,000)	-
General obligation bonds issued	-	-	180,000	-
Execution of capital lease purchase agreements	-	-	-	286,244
General obligation capital loan notes issued	-	-	-	-
Premium on notes issued	-	-	-	-
Total other financing sources (uses)	-	-	(270,000)	736,244

	<u>Nonmajor</u>	<u>Total</u>
\$	158,313	\$ 4,043,156
	-	50,237
	50,152	3,469,211
	-	8,125
	2,216	273,915
	4,054	40,524
	940	543,635
	<u>215,675</u>	<u>8,428,803</u>

	146	1,496,550
	-	987,117
	-	1,057,201
	-	226,106
	-	2,544,789
	14,667	379,080
	-	850,472
	208,579	208,579
	<u>612,253</u>	<u>792,253</u>
	<u>835,645</u>	<u>8,542,147</u>

(619,970)	(113,344)
-----------	-----------

	-	450,000
	-	(450,000)
	-	180,000
	-	286,244
	690,000	690,000
	<u>13,230</u>	<u>13,230</u>
	<u>703,230</u>	<u>1,169,474</u>

CLARKE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 463,178	\$ (17,363)	\$ 92,585	\$ 434,470
Fund balances beginning of year, as restated (note 12)	514,912	22,560	341,903	588,342
Fund balances end of year	<u>\$ 978,090</u>	<u>\$ 5,197</u>	<u>\$ 434,488</u>	<u>\$ 1,022,812</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 83,260	\$ 1,056,130
<u>292,635</u>	<u>1,760,352</u>
<u>\$ 375,895</u>	<u>\$ 2,816,482</u>

CLARKE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 1,056,130

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 551,279	
Depreciation expense	<u>(914,016)</u>	(362,737)

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds, as follows:

Property tax	(4,708)	
Other	<u>9,899</u>	5,191

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets and does not affect the Statement of Activities. (1,156,244)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of
Net Assets. 305,317

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

Compensated absences	7,196	
Net OPEB liability	(15,219)	
Interest on long-term debt	<u>(3,144)</u>	(11,167)

The Internal Service Funds are used by management to charge the costs of
the County's health insurance and flexible benefits plans to individual
funds. The change in net assets of the Internal Service Funds is reported
with governmental activities. 28,149

Change in net assets of governmental activities \$ (135,361)

See notes to financial statements.

CLARKE COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	Internal Service Funds
	<u> </u>
Assets	
Cash and cash equivalents	\$ 102,938
Accounts receivable	<u>33,628</u>
Total assets	<u>136,566</u>
Liabilities	
Accounts payable	<u>68,800</u>
Net Assets	
Unrestricted	<u><u>\$ 67,766</u></u>

See notes to financial statements.

CLARKE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2011

	<u>Internal Service Funds</u>
Operating revenues:	
Charges to operating funds	\$ 778,013
Charges to employees and others	<u>188,226</u>
Total operating revenues	<u>966,239</u>
Operating expenses:	
Insurance premiums	917,058
Flexible spending claims	19,810
Administrative fees	<u>1,223</u>
Total operating expenses	<u>938,091</u>
Operating income	28,148
Non-operating revenues:	
Interest on investments	<u>1</u>
Net income	28,149
Net assets beginning of year	<u>39,617</u>
Net assets end of year	<u>\$ 67,766</u>

See notes to financial statements.

CLARKE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Internal Service Funds
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 745,256
Cash received from employees and others	187,355
Cash payments to suppliers for services	<u>(939,811)</u>
Net cash used by operating activities	<u>(7,200)</u>
Cash flows from investing activities:	
Interest on investments	<u>4</u>
Net decrease in cash and cash equivalents	(7,196)
Cash and cash equivalents beginning of year	<u>110,134</u>
Cash and cash equivalents end of year	<u>\$ 102,938</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 28,148
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) in accounts receivable	(33,628)
(Decrease) in accounts payable	<u>(1,720)</u>
Net cash used by operating activities	<u>\$ (7,200)</u>

See notes to financial statements.

CLARKE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 532,389
Other County officials	20,770
Receivables:	
Property tax:	
Delinquent	122,382
Succeeding year	10,168,000
Accounts	543
Due from other governments	53,847
Prepaid expenses	<u>13,392</u>
Total assets	<u>\$ 10,911,323</u>

Liabilities

Accounts payable	\$ 12,857
Salaries and benefits payable	5,848
Due to other governments (note 5)	10,756,448
Trusts payable	129,664
Compensated absences	<u>6,506</u>
Total liabilities	<u>\$ 10,911,323</u>

See notes to financial statements.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies

Clarke County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clarke County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County. Clarke County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Clarke County Assessor's Conference Board, Clarke County Hospital Board, and Clarke County Environmental Services Board, which handles the Emergency Management System. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Intangibles	\$ 100,000
Infrastructure	250,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the debt service function.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>450,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2011 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 571,654	\$ 7,500	\$ -	\$ 579,154
Construction in progress	-	140,709	-	140,709
Total capital assets not being depreciated	<u>571,654</u>	<u>148,209</u>	<u>-</u>	<u>719,863</u>
Capital assets being depreciated:				
Buildings	7,036,338	-	-	7,036,338
Machinery and equipment	3,521,040	403,070	362,371	3,561,739
Infrastructure	11,918,251	-	-	11,918,251
Total capital assets being depreciated	<u>22,475,629</u>	<u>403,070</u>	<u>362,371</u>	<u>22,516,328</u>
Less accumulated depreciation for:				
Buildings	1,957,542	196,561	-	2,154,103
Machinery and equipment	2,398,597	320,180	362,371	2,356,406
Infrastructure	4,024,270	397,275	-	4,421,545
Total accumulated depreciation	<u>8,380,409</u>	<u>914,016</u>	<u>362,371</u>	<u>8,932,054</u>
Total capital assets being depreciated, net	<u>14,095,220</u>	<u>(510,946)</u>	<u>-</u>	<u>13,584,274</u>
Governmental activities capital assets, net	<u>\$ 14,666,874</u>	<u>\$ (362,737)</u>	<u>\$ -</u>	<u>\$ 14,304,137</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$	123,378
Physical health and social services		85,715
County environment and education		28,931
Roads and transportation		630,703
Government services to residents		747
Administration		<u>44,542</u>

Total depreciation expense - governmental activities	\$	<u><u>914,016</u></u>
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Note 5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u><u>184,453</u></u>
Agency:		
County Assessor	Collections	\$ 363,854
Schools		5,295,928
Area Schools		268,045
Corporations		3,387,873
County Hospital		1,008,291
Auto License and Use Tax		168,798
All Other		<u><u>263,659</u></u>
Total for agency funds		\$ <u><u>10,756,448</u></u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 6. Short-Term Debt Activity

During the year ended June 30, 2011, the County entered into three short-term loans between funds. The loans were necessary to provide temporary financing during periods of low cash flow. A summary of the activity for the year ended June 30, 2011 is as follows:

	Lending Fund	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
General Basic Fund	Rural Basic Fund	\$ -	\$ 30,000	\$ 30,000	\$ -
General Supplemental Fund	Rural Basic Fund	-	70,000	70,000	-
General Supplemental Fund	General Basic Fund	-	75,000	75,000	-
Total		\$ -	\$ 175,000	\$ 175,000	\$ -

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ -	\$ 180,000	\$ -	\$ 180,000	\$ 14,000
Capital Loan Notes	740,000	690,000	135,000	1,295,000	245,000
Child Care Center Revenue Notes	520,271	-	6,819	513,452	7,143
Promissory Note	42,198	-	42,198	-	-
Capital Lease Purchase Agreements	417,139	286,244	121,300	582,083	119,010
Compensated Absences	176,397	169,201	176,397	169,201	169,201
Net OPEB Liability	15,191	15,219	-	30,410	-
Balance end of year	\$ 1,911,196	\$ 1,340,664	\$ 481,714	\$ 2,770,146	\$ 554,354

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the County's June 30, 2011 general obligation solid waste disposal bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.40 %	\$ 14,000	\$ 7,564	\$ 21,564
2013	3.40	16,000	6,008	22,008
2014	3.40	17,000	5,464	22,464
2015	3.40	17,000	4,886	21,886
2016	3.64	18,000	4,308	22,308
2017-2021	3.64-3.78	98,000	11,299	109,299
		<u>\$ 180,000</u>	<u>\$ 39,529</u>	<u>\$ 219,529</u>

Capital Loan Notes

Details of the County's June 30, 2011 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Series Dated October 15, 2007			Series Dated June 15, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	4.75 %	\$ 60,000	\$ 7,850	3.40 %	\$ 80,000	\$ 15,110
2013	4.00	60,000	5,000	3.50	90,000	12,390
2014	4.00	65,000	2,600	3.60	90,000	9,240
2015	-	-	-	3.75	160,000	6,000
		<u>\$ 185,000</u>	<u>\$ 15,450</u>		<u>\$ 420,000</u>	<u>\$ 42,740</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes (continued)

Year Ending June 30,	Series Dated August 1, 2010			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2012	2.50 %	\$ 105,000	\$ 19,625	\$ 245,000	\$ 42,585
2013	2.50	110,000	17,000	260,000	34,390
2014	3.00	115,000	14,250	270,000	26,090
2015	3.00	115,000	10,800	275,000	16,800
2016	3.00	120,000	7,350	120,000	7,350
2017	3.00	125,000	3,750	125,000	3,750
		<u>\$ 690,000</u>	<u>\$ 72,775</u>	<u>\$ 1,295,000</u>	<u>\$ 130,965</u>

Child Care Center Revenue Notes

Details of the County's June 30, 2011 child care center revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.75 %	\$ 7,143	\$ 24,389	\$ 31,532
2013	4.75	7,482	24,050	31,532
2014	4.75	7,838	23,694	31,532
2015	4.75	8,210	23,322	31,532
2016	4.75	8,600	22,932	31,532
2017-2021	4.75	49,529	108,131	157,660
2022-2026	4.75	62,464	95,196	157,660
2027-2031	4.75	78,778	78,882	157,660
2032-2036	4.75	99,351	58,309	157,660
2037-2041	4.75	125,298	32,362	157,660
2042-2043	4.75	58,759	4,223	62,982
		<u>\$ 513,452</u>	<u>\$ 495,490</u>	<u>\$ 1,008,942</u>

In August 2002, the County entered into a USDA Rural Development loan agreement for Child Care Center Revenue Notes in the amount of \$550,000 to finance a portion of the cost of the construction and furnishing of a child care and early education center. The notes will be paid over forty years with an annual interest rate of 4.75%. The notes are payable solely from the revenues of the child care center, which is to be operated by The Village, Ltd., an Iowa nonprofit corporation. The notes are not a general obligation of the County and are not subject to the constitutional debt limitation of the County.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

Child Care Center Revenue Notes (continued)

The resolution providing for the issuance of the child care center revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the revenues derived from the operation of the child care center. Revenues sufficient to pay principal and interest on the notes are to be received from The Village, Ltd. by July 1 of each year when the payment is due.
- (b) Monthly deposits of \$263 from the child care center shall be made to the Child Care Center Reserve Fund until the sum of \$31,532 has been accumulated in the fund. The fund is to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.
- (c) Monthly deposits of \$200 from the child care center shall also be made to the Child Care Center Reserve Fund for funded depreciation.

Capital Lease Purchase Agreements

During the year ended June 30, 2008, the County entered into a capital lease purchase agreement for \$296,500 for the acquisition of two new motor graders. The agreement is payable in seven equal annual payments including interest at 3.75%.

During the year ended June 30, 2009, the County entered into two capital lease purchase agreements for \$113,010 each for the acquisition of new motor graders. The agreements are payable in seven equal annual payments. The August 2008 agreement includes interest at 3.95% and the September 2008 agreement includes interest at 3.65%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for \$144,877 to purchase a wheel loader. The agreement is payable in five equal annual payments including interest at 3.5%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for \$141,367 to purchase a motor grader. The agreement is payable in seven equal annual payments including interest at 3.25%.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

Details of the County's June 30, 2011 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	March 14, 2008			August 15, 2008		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 42,239	\$ 6,816	\$ 49,055	\$ 15,472	\$ 3,372	\$ 18,844
2013	43,849	5,206	49,055	16,094	2,750	18,844
2014	45,520	3,535	49,055	16,742	2,102	18,844
2015	47,255	1,802	49,057	17,415	1,429	18,844
2016	-	-	-	18,116	729	18,845
	<u>\$ 178,863</u>	<u>\$ 17,359</u>	<u>\$ 196,222</u>	<u>\$ 83,839</u>	<u>\$ 10,382</u>	<u>\$ 94,221</u>

Year Ending June 30,	September 10, 2008			September 13, 2010		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 15,572	\$ 3,113	\$ 18,685	\$ 27,145	\$ 4,005	\$ 31,150
2013	16,150	2,535	18,685	28,096	3,054	31,150
2014	16,750	1,935	18,685	29,079	2,071	31,150
2015	17,372	1,313	18,685	30,097	1,053	31,150
2016	18,017	669	18,686	-	-	-
	<u>\$ 83,861</u>	<u>\$ 9,565</u>	<u>\$ 93,426</u>	<u>\$ 114,417</u>	<u>\$ 10,183</u>	<u>\$ 124,600</u>

Year Ending June 30,	November 15, 2010			Total		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 18,582	\$ 3,995	\$ 22,577	\$ 119,010	\$ 21,301	\$ 140,311
2013	19,195	3,382	22,577	123,384	16,927	140,311
2014	19,828	2,749	22,577	127,919	12,392	140,311
2015	20,482	2,095	22,577	132,621	7,692	140,313
2016	21,158	1,419	22,577	57,291	2,817	60,108
2017	21,858	720	22,578	21,858	720	22,578
	<u>\$ 121,103</u>	<u>\$ 14,360</u>	<u>\$ 135,463</u>	<u>\$ 582,083</u>	<u>\$ 61,849</u>	<u>\$ 643,932</u>

Note 8. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of \$691. The lease is indefinite but the monthly lease payments per radio unit used are guaranteed until June 30, 2011. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is \$8,292. Rental expense for the year ended June 30, 2011 was \$8,292.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 75 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided by Central States Health and Welfare Fund. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 41,742
Interest on net OPEB obligation	608
Adjustment to annual required contribution	<u>(580)</u>
Annual OPEB cost	41,770
Contributions made	<u>(26,551)</u>
Increase in net OPEB obligation	15,219
Net OPEB obligation beginning of year	<u>15,191</u>
Net OPEB obligation end of year	<u><u>\$ 30,410</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$26,551 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 41,770	63.6%	\$ 30,410

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 9. Other Postemployment Benefits (OPEB) (continued)

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$299,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$299,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,396,000 and the ratio of the UAAL to covered payroll was 12.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. Mortality rates are from the RP2000 Combined Mortality Table projected to 2010.

Projected claim costs of the medical plan are \$965 per month for non-union retirees less than age 65 and \$883 per month for union retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$206,382, \$213,131 and \$199,664, respectively, equal to the required contributions for each year.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2011

Note 11. Risk Management

Clarke County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$120,313.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 11. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Special Revenue		Nonmajor - Special Revenue		
	General	Rural Services	Conservation Land Acquisition	Environmental Education	SIRWA Grid Project Sinking
Balances June 30, 2010, as previously reported	\$ 439,322	\$ 279,403	\$ 48,768	\$ 26,822	\$ 62,500
Change in fund type classification per implementation of GASB Statement No. 54	75,590	62,500	(48,768)	(26,822)	(62,500)
Balances July 1, 2010, as restated	<u>\$ 514,912</u>	<u>\$ 341,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 13. Subsequent Event

In October 2011, the County issued \$410,000 of general obligation capital loan notes. The note proceeds will be used to purchase peace officer communication equipment and other emergency services communication equipment and systems. The notes will be repaid over ten years with interest rates ranging from 0.75% to 2.50%.

Required Supplementary Information

CLARKE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2011

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 4,042,994	\$ 4,069,601	\$ 4,069,601	\$ (26,607)
Interest and penalty on property tax	50,237	46,000	46,000	4,237
Intergovernmental	3,386,959	3,197,403	3,398,877	(11,918)
Licenses and permits	8,175	54,550	54,550	(46,375)
Charges for service	279,490	236,280	255,353	24,137
Use of money and property	40,999	42,200	42,200	(1,201)
Miscellaneous	522,111	288,960	292,082	230,029
Total receipts	8,330,965	7,934,994	8,158,663	172,302
DISBURSEMENTS:				
Public safety and legal services	1,507,839	1,682,209	1,684,859	177,020
Physical health and social services	977,835	925,096	1,102,919	125,084
Mental health	984,850	1,066,990	1,066,990	82,140
County environment and education	235,905	244,880	254,640	18,735
Roads and transportation	2,243,574	2,590,750	2,590,750	347,176
Government services to residents	378,657	368,911	391,378	12,721
Administration	867,086	816,842	880,691	13,605
Debt service	208,579	195,465	195,465	(13,114)
Capital projects	793,598	44,000	1,014,215	220,617
Total disbursements	8,197,923	7,935,143	9,181,907	983,984
Excess (deficiency) of receipts over (under) disbursements	133,042	(149)	(1,023,244)	1,156,286
Other financing sources, net	883,230	31,532	902,542	(19,312)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,016,272	31,383	(120,702)	1,136,974
Balance beginning of year	1,676,216	1,073,238	1,073,238	602,978
Balance end of year	\$ 2,692,488	\$ 1,104,621	\$ 952,536	\$ 1,739,952

See accompanying independent auditor's report.

CLARKE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,330,965	\$ 97,838	\$ 8,428,803
Expenditures	8,197,923	344,224	8,542,147
Net	133,042	(246,386)	(113,344)
Other financing sources, net	883,230	286,244	1,169,474
Beginning fund balances	1,676,216	84,136	1,760,352
Ending fund balances	<u>\$ 2,692,488</u>	<u>\$ 123,994</u>	<u>\$ 2,816,482</u>

See accompanying independent auditor's report.

CLARKE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,246,764. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for Emergency Management Services by the County Environmental Services Board.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the debt service function. Disbursements did not exceed the amounts appropriated in any County department.

CLARKE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 299	\$ 299	0.0%	\$ 2,483	12.0%
2011	July 1, 2009	-	299	299	0.0%	2,396	12.5%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Other Supplementary Information

CLARKE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue			
	County Recorder's Records Management	REAP	County Attorney Forfeiture	Drug Forfeiture
Assets				
Cash and pooled investments	\$ 2,021	\$ 122,064	\$ 2,082	\$ 1,198
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	145	-	-	-
Accrued interest	-	46	-	-
Total assets	<u>\$ 2,166</u>	<u>\$ 122,110</u>	<u>\$ 2,082</u>	<u>\$ 1,198</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	-	122,110	-	-
Other purposes	2,166	-	2,082	1,198
Total fund balances	<u>2,166</u>	<u>122,110</u>	<u>2,082</u>	<u>1,198</u>
Total liabilities and fund balances	<u>\$ 2,166</u>	<u>\$ 122,110</u>	<u>\$ 2,082</u>	<u>\$ 1,198</u>

See accompanying independent auditor's report.

Debt Service				
Drug Dog	Debt Service	Child Care Center Reserve	Capital Projects	Total
\$ 838	\$ 43,865	\$ 24,539	\$ 179,007	\$ 375,614
-	1,451	-	-	1,451
-	281,000	-	-	281,000
-	-	-	-	145
-	-	-	134	180
<u>\$ 838</u>	<u>\$ 326,316</u>	<u>\$ 24,539</u>	<u>\$ 179,141</u>	<u>\$ 658,390</u>
\$ 44	\$ -	\$ -	\$ -	\$ 44
-	281,000	-	-	281,000
-	1,451	-	-	1,451
44	282,451	-	-	282,495
-	43,865	24,539	-	68,404
-	-	-	179,141	179,141
-	-	-	-	122,110
794	-	-	-	6,240
794	43,865	24,539	179,141	375,895
<u>\$ 838</u>	<u>\$ 326,316</u>	<u>\$ 24,539</u>	<u>\$ 179,141</u>	<u>\$ 658,390</u>

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue			
	County Recorder's Records Management	REAP	County Attorney Forfeiture	Drug Forfeiture
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	12,106	-	850
Charges for service	1,868	-	-	348
Use of money and property	26	546	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,894</u>	<u>12,652</u>	<u>-</u>	<u>1,198</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Government services to residents	14,667	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>14,667</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(12,773)	12,652	-	1,198
Other financing sources:				
General obligation capital loan notes issued	-	-	-	-
Premium on notes issued	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(12,773)	12,652	-	1,198
Fund balances beginning of year	<u>14,939</u>	<u>109,458</u>	<u>2,082</u>	<u>-</u>
Fund balances end of year	<u>\$ 2,166</u>	<u>\$ 122,110</u>	<u>\$ 2,082</u>	<u>\$ 1,198</u>

See accompanying independent auditor's report.

Debt Service				
Drug Dog	Debt Service	Child Care Center Reserve	Capital Projects	Total
\$ -	\$ 158,313	\$ -	\$ -	\$ 158,313
-	37,196	-	-	50,152
-	-	-	-	2,216
-	412	-	3,070	4,054
940	-	-	-	940
940	195,921	-	3,070	215,675
146	-	-	-	146
-	-	-	-	14,667
-	195,814	-	12,765	208,579
-	16,354	-	595,899	612,253
146	212,168	-	608,664	835,645
794	(16,247)	-	(605,594)	(619,970)
-	16,354	-	673,646	690,000
-	-	-	13,230	13,230
-	16,354	-	686,876	703,230
794	107	-	81,282	83,260
-	43,758	24,539	97,859	292,635
\$ 794	\$ 43,865	\$ 24,539	\$ 179,141	\$ 375,895

CLARKE COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2011

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 9,042	\$ 93,896	\$ 102,938
Accounts receivable	871	32,757	33,628
Total assets	<u>9,913</u>	<u>126,653</u>	<u>136,566</u>
Liabilities			
Accounts payable	<u>-</u>	<u>68,800</u>	<u>68,800</u>
Net Assets			
Unrestricted	<u>\$ 9,913</u>	<u>\$ 57,853</u>	<u>\$ 67,766</u>

See accompanying independent auditor's report.

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2011

	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	\$ -	\$ 778,013	\$ 778,013
Charges to employees and others	21,031	167,195	188,226
Total operating revenues	<u>21,031</u>	<u>945,208</u>	<u>966,239</u>
Operating expenses:			
Insurance premiums	-	917,058	917,058
Flexible spending claims	19,810	-	19,810
Administrative fees	1,223	-	1,223
Total operating expenses	<u>21,033</u>	<u>917,058</u>	<u>938,091</u>
Operating income (loss)	(2)	28,150	28,148
Non-operating revenues:			
Interest on investments	-	1	1
Net income (loss)	(2)	28,151	28,149
Net assets beginning of year	<u>9,915</u>	<u>29,702</u>	<u>39,617</u>
Net assets end of year	<u>\$ 9,913</u>	<u>\$ 57,853</u>	<u>\$ 67,766</u>

See accompanying independent auditor's report.

CLARKE COUNTY
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2011

	Flexible Spending	Health Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	\$ 745,256	\$ 745,256
Cash received from employees and others	20,160	167,195	187,355
Cash payments to suppliers for services	(21,033)	(918,778)	(939,811)
Net cash used by operating activities	<u>(873)</u>	<u>(6,327)</u>	<u>(7,200)</u>
Cash flows from investing activities:			
Interest on investments	<u>-</u>	<u>4</u>	<u>4</u>
Net decrease in cash and cash equivalents	(873)	(6,323)	(7,196)
Cash and cash equivalents beginning of year	<u>9,915</u>	<u>100,219</u>	<u>110,134</u>
Cash and cash equivalents end of year	<u>\$ 9,042</u>	<u>\$ 93,896</u>	<u>\$ 102,938</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (2)	\$ 28,150	\$ 28,148
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
(Increase) in accounts receivable	(871)	(32,757)	(33,628)
(Decrease) in accounts payable	<u>-</u>	<u>(1,720)</u>	<u>(1,720)</u>
Net cash used by operating activities	<u>\$ (873)</u>	<u>\$ (6,327)</u>	<u>\$ (7,200)</u>

See accompanying independent auditor's report.

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CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2011

	County Offices		Agricultural	County
	County	County	Extension	Assessor
	Recorder	Sheriff	Education	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ 1,658	\$ 117,705
Other County officials	7,857	12,913	-	-
Receivables:				
Property tax:				
Delinquent	-	-	914	2,237
Succeeding year	-	-	100,000	243,000
Accounts	116	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	11,419
Total assets	\$ <u>7,973</u>	\$ <u>12,913</u>	\$ <u>102,572</u>	\$ <u>374,361</u>
LIABILITIES				
Accounts payable	\$ 4,670	\$ 8,032	\$ -	\$ 155
Salaries and benefits payable	-	-	-	4,701
Due to other governments	3,303	-	102,572	363,854
Trusts payable	-	4,881	-	-
Compensated absences	-	-	-	5,651
Total liabilities	\$ <u>7,973</u>	\$ <u>12,913</u>	\$ <u>102,572</u>	\$ <u>374,361</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 82,680	\$ 3,895	\$ 52,252	\$ 2,463	\$ 2,349	\$ 18,881	\$ 19
-	-	-	-	-	-	-
46,248	2,150	59,621	792	-	10,410	10
5,167,000	262,000	3,276,000	140,000	-	979,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,295,928</u>	<u>\$ 268,045</u>	<u>\$ 3,387,873</u>	<u>\$ 143,255</u>	<u>\$ 2,349</u>	<u>\$ 1,008,291</u>	<u>\$ 1,029</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
5,295,928	268,045	3,387,873	143,255	2,349	1,008,291	1,029
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,295,928</u>	<u>\$ 268,045</u>	<u>\$ 3,387,873</u>	<u>\$ 143,255</u>	<u>\$ 2,349</u>	<u>\$ 1,008,291</u>	<u>\$ 1,029</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2011

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 168,798	\$ 107,615	\$ 17,168	\$ 10,247
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	1,973
Total assets	<u>\$ 168,798</u>	<u>\$ 107,615</u>	<u>\$ 17,168</u>	<u>\$ 12,220</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	1,147
Due to other governments	168,798	-	-	10,218
Trusts payable	-	107,615	17,168	-
Compensated absences	-	-	-	855
Total liabilities	<u>\$ 168,798</u>	<u>\$ 107,615</u>	<u>\$ 17,168</u>	<u>\$ 12,220</u>

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Homemakers Health Payroll	Total
\$ 506	\$ (53,847)	\$ 532,389
-	-	20,770
-	-	122,382
-	-	10,168,000
427	-	543
-	53,847	53,847
-	-	13,392
<u>\$ 933</u>	<u>\$ -</u>	<u>\$ 10,911,323</u>
\$ -	\$ -	\$ 12,857
-	-	5,848
933	-	10,756,448
-	-	129,664
-	-	6,506
<u>\$ 933</u>	<u>\$ -</u>	<u>\$ 10,911,323</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2011

	County Offices		Agricultural	County
	County	County	Extension	County
	Recorder	Sheriff	Education	Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 6,306	\$ 32,611	\$ 92,529	\$ 310,486
Additions:				
Property and other County tax	-	-	99,855	243,108
State tax credits	-	-	3,540	8,666
Office fees and collections	147,032	218,099	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	187,101	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	3,692
Total additions	147,032	405,200	103,395	255,466
Deductions:				
Agency remittances:				
To other funds	71,527	224,811	-	-
To other governments	73,838	3,544	93,352	191,591
Trusts paid out	-	196,543	-	-
Total deductions	145,365	424,898	93,352	191,591
Balances end of year	\$ 7,973	\$ 12,913	\$ 102,572	\$ 374,361

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ <u>4,672,991</u>	\$ <u>216,925</u>	\$ <u>3,912,199</u>	\$ <u>136,252</u>	\$ <u>12,344</u>	\$ <u>1,054,965</u>	\$ <u>1,025</u>
5,160,206	261,497	3,235,090	141,399	-	977,009	1,020
177,788	8,289	84,223	5,875	-	40,324	40
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,603	-	-
-	-	-	-	-	-	-
<u>5,337,994</u>	<u>269,786</u>	<u>3,319,313</u>	<u>147,274</u>	<u>5,603</u>	<u>1,017,333</u>	<u>1,060</u>
-	-	-	-	-	-	-
4,715,057	218,666	3,843,639	140,271	15,598	1,064,007	1,056
-	-	-	-	-	-	-
<u>4,715,057</u>	<u>218,666</u>	<u>3,843,639</u>	<u>140,271</u>	<u>15,598</u>	<u>1,064,007</u>	<u>1,056</u>
\$ <u><u>5,295,928</u></u>	\$ <u><u>268,045</u></u>	\$ <u><u>3,387,873</u></u>	\$ <u><u>143,255</u></u>	\$ <u><u>2,349</u></u>	\$ <u><u>1,008,291</u></u>	\$ <u><u>1,029</u></u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2011

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 163,774	\$ 110,334	\$ 22,461	\$ 14,694
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	2,140,994	-	-	-
Trusts	-	115,558	185,536	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	54,226
Total additions	2,140,994	115,558	185,536	54,226
Deductions:				
Agency remittances:				
To other funds	89,273	-	-	-
To other governments	2,046,697	-	-	56,700
Trusts paid out	-	118,277	190,829	-
Total deductions	2,135,970	118,277	190,829	56,700
Balances end of year	\$ 168,798	\$ 107,615	\$ 17,168	\$ 12,220

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Homemakers Health Payroll	Total
\$ 1,088	\$ (53,847)	\$ 10,707,137
-	-	10,119,184
-	-	328,745
5,502	-	370,633
-	-	2,140,994
-	-	488,195
-	-	5,603
-	53,847	111,765
5,502	53,847	13,565,119
-	-	385,611
5,657	-	12,469,673
-	-	505,649
5,657	-	13,360,933
\$ 933	\$ -	\$ 10,911,323

CLARKE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Property and other County tax	\$ 4,043,156	\$ 3,764,427	\$ 3,459,732	\$ 3,560,557
Interest and penalty on property tax	50,237	56,151	48,568	40,112
Intergovernmental	3,469,211	3,299,875	4,379,483	3,798,207
Licenses and permits	8,125	10,160	10,980	10,650
Charges for service	273,915	312,757	267,554	260,905
Use of money and property	40,524	41,009	69,711	143,553
Miscellaneous	543,635	440,911	274,302	369,071
Total	<u>\$ 8,428,803</u>	<u>\$ 7,925,290</u>	<u>\$ 8,510,330</u>	<u>\$ 8,183,055</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,496,550	\$ 1,741,935	\$ 1,557,140	\$ 1,440,885
Physical health and social services	987,117	1,055,582	1,006,047	1,005,010
Mental health	1,057,201	938,643	1,021,859	1,140,658
County environment and education	226,106	255,954	276,902	261,894
Roads and transportation	2,544,789	2,482,289	3,480,704	2,967,938
Government services to residents	379,080	360,455	350,826	334,031
Administration	850,472	815,736	756,184	762,990
Debt service	208,579	272,849	836,251	3,004,237
Capital projects	792,253	63,952	908,928	938,234
Total	<u>\$ 8,542,147</u>	<u>\$ 7,987,395</u>	<u>\$ 10,194,841</u>	<u>\$ 11,855,877</u>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	4,197,991	\$ 3,728,172	\$ 3,843,161
	36,111	37,986	45,088
	3,345,660	3,031,600	3,133,909
	9,235	8,890	11,835
	262,821	268,264	229,834
	285,982	192,814	115,778
	254,497	323,628	307,346
\$	<u>8,392,297</u>	<u>\$ 7,591,354</u>	<u>\$ 7,686,951</u>

\$	1,457,547	\$ 1,369,187	\$ 1,308,070
	919,485	897,918	847,740
	1,032,628	1,021,097	891,323
	250,582	248,329	230,743
	2,224,277	2,149,188	2,452,539
	304,375	388,646	312,804
	697,713	729,359	671,734
	528,691	543,682	688,377
	383,320	123,988	744,897
\$	<u>7,798,618</u>	<u>\$ 7,471,394</u>	<u>\$ 8,148,227</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon March 23, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarke County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Clarke County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Clarke County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarke County and other parties to whom Clarke County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarke County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
March 23, 2012

CLARKE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff
(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety.	Recorder
(4) After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.	Auditor, Ag Extension, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

CLARKE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-11 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – The Auditor is currently evaluating the disbursement transactions and documenting each review on the applicable disbursement records. Two individuals in most instances are now jointly involved in the check preparation, signing, and mailing process.

County Recorder - We have established a set of checks and balances to review each individual's work in the office, which gives us the maximum internal control possible using the limited number of office employees we have.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-B-11 Check Written and Held – We noted in our testing of checks outstanding at year end that a check for \$4,430 was written on June 29, 2011 but had not been redeemed timely. Upon inquiry regarding the delay in redemption, we noted that the warrant had not been released to the vendor until August 2011 when the vehicle being purchased was received.

Recommendation – Writing and holding checks bypasses the budgeting process, removes controls over the underlying assets and misstates the financial position of the County at any given time any checks are written and held. The County should avoid the practice by developing guidelines for disbursements that prevent writing and holding checks. If necessary, the budget should be amended to allow a disbursement to be made in the proper fiscal year.

Response – We will try to avoid this practice in the future. We will develop practices and procedures which ban the writing and holding of checks.

Conclusion – Response accepted.

CLARKE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the debt service function. Disbursements did not exceed the amounts appropriated in any County department.
- Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – We will amend the budget when required in the future before the budget is exceeded. This was due to an increase in the debt service fiscal agent fees and the capital loan note issuance costs.
- Conclusion – Response accepted.
- II-B-11 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-11 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-11 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.
- II-J-11 Debt Service Payments – We noted that the payments of principal and interest for the County’s promissory note, capital lease purchase agreements and one of the capital loan notes were made through the roads and transportation and capital projects functions rather than the debt service function.

CLARKE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-J-11 Debt Service Payments (continued)

Recommendation – All payments on long-term debt such as promissory notes, capital loan notes, and capital lease purchase agreements should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditures totals.

Response – We will properly make all debt service payments through the debt service function in the future.

Conclusion – Response accepted.

II-K-11 Homemakers Health Payroll – The County previously had entered into an agreement with the Clarke County Home Care Aide Service, Inc. (Home Care) to provide payroll services. Home Care was to reimburse the County for the payroll expenses, which were recorded in an Agency Fund of the County. At June 30, 2011, Home Care owed the County \$53,847 for payroll expenses. Home Care closed and merged into the County's Public Health department in March 2010.

Recommendation – The County should develop a plan to eliminate the deficit in this fund.

Response – We have approved a ten year plan to eliminate the deficit from this fund.

Conclusion – Response accepted.